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Up to \$30 Million Transferred

Deposits Made During Congress' Ban on Aid to Rebels

By Walter Pincus and David B. Ottaway
Washington Post Staff Writers

The Reagan administration for the first time yesterday confirmed a link between the secret U.S. shipment of arms to Iran and the covert funneling of money to Nicaraguan contra rebels at a time when Congress had barred most U.S. aid to the rebels.

The disclosure, together with other evidence obtained yesterday, strongly suggests that the same National Security Council figures who in 1984 established a program to assist the contras—largely by organizing a network of private donors—also were designated to carry out the Iranian initiative.

Attorney General Edwin Meese III said yesterday that \$10 million to \$30 million paid by Iran for U.S. arms was transferred to the contras through Swiss bank accounts with the "precise knowledge" of Lt. Col. Oliver L. North, an NSC staff member who has been identified as the overseer of the White House contra aid program. Also aware of the contra cash transfer, according to Meese, were North's two NSC bosses—the national security adviser, Vice Adm. John M. Poindexter, and his predecessor, Robert C. McFarlane.

Adolfo Calero, leader of the largest Nicaraguan rebel armed force, yesterday denied that his organization received any of the funds described in Washington by Meese.

However, the cash transfers to the contra accounts, which apparently took place despite a congressional prohibition on U.S. assistance other than humanitarian aid, also came at a time when mysterious military shipments to the contras appeared to intensify. One such shipment became public when the Sandinista Nicaraguan army on Oct. 5 shot down an arms-laden C123 cargo plane linked to a former Central Intelligence Agency company, Southern Air Transport Inc.

U.S. Transportation Department records obtained yesterday showed that Southern Air Transport earlier this year carried four plane loads of unidentified cargo from Kelly Air Force Base, Tex., to Tel Aviv. Those

shipments, in February and May, occurred at the time U.S. arms went from the United States to Iran via Israel, according to informed sources.

It also was learned yesterday that a total of six arms shipments took place under the secret White House-run Iranian operation. Three of them coincided with the release during the past 17 months of three American hostages held by pro-Iranian groups in Lebanon.

Iranian payments from shipments in February, May and August of this year were funneled into the contra accounts, sources said yesterday. Meese said the contra fund transfers involved "at least one and possibly three" of the 1986 shipments, although "no American person actually handled any of the funds that went to the forces in Central America."

Money from the final U.S. shipment of arms to Iran, which occurred in October, did not go into the contra account, sources said. That was because Congress had agreed to the administration request to resume supporting the Nicaraguan rebels with a \$100 million program that began Oct. 1.

Despite casting new light on the ties between two of the administration's more secretive overseas operations, yesterday's disclosures suggested as many questions as answers. For example, the value and quantity of U.S. arms shipped via Israel to Iran remains unclear, and there are few details about the conduit of cash to the contras through Switzerland.

Questions also remain about why and how North—a Marine lieutenant colonel with a reputation for loyalty to the president—decided to link the two covert programs on his own initiative and without the approval of his superiors, as Meese implied.

It also is uncertain why, after the initial public disclosure of the Iranian arms program three weeks ago, North, Poindexter and McFarlane would keep knowledge of the contra bank deposits from the president or his chief of staff, Donald T. Regan.

As it is understood from administration, congressional and Israeli sources, what can now be seen as an Iranian arms program with a contra connection began in the summer of 1985.

At that time, White House officials saw that Iranian officials had been key in helping release American hostages held during the hijacking of TWA Flight 847. McFarlane, then national security adviser,

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decided to explore whether there was a chance to open new contacts in Iran, although Reagan was continuing to refer to the regime of Ayatollah Ruhollah Khomeini as "Murder Incorporated."

Israeli officials learned of McFarlane's initiative and David Kimche, director general of Israel's foreign ministry, visited Washington. At that time, Kimche suggested that the United States could show "good faith" to Iran by allowing arms to be shipped. A source familiar with the visit said that McFarlane had the clear impression when Kimche left his office that the Israelis would ship arms.

The first shipments occurred in early and mid-September 1985, in

two planeloads from Israel to Iran. That first Israeli shipment reportedly included Soviet arms captured in Lebanon and U.S.-made TOW antitank missile launchers.

That "good faith" gesture was supposed to be reciprocated by the Iranians arranging the release of the American hostages held in Lebanon.

But only one American hostage, the Rev. Benjamin Weir, was released, on Sept. 14. Before Weir came into public view, however, U.S. officials had been alerted by the White House to prepare for the release of at least two and possibly all of the hostages then held by pro-Iranian extremist groups.

The president delayed announcing Weir's release in hopes the others would be freed and the released hostage was questioned by top military officers to see if a rescue mission could be assembled. That idea was aborted when U.S. planners realized that the remaining hostages were kept in different places.

Meese said yesterday that the president "was informed generally" about this first shipment "sometime during the late summer, early fall of 1985." Later, Meese said, "Our information was that the president knew about, probably after the fact, and agreed with the general concept of continuing our discussions with the Israelis concerning these matters."

A second shipment, again at Israeli initiative, occurred in November 1985, without any notification or explicit authorization from the United States. This shipment contained U.S.-made Hawk anti-aircraft missiles, which were less sophisticated than those already in Iranian hands and purchased from the United States during the shah's rule. For this reason, the Hawk missiles were returned to Israel this February.

On Dec. 6, McFarlane met in London with Kimche, Jacob Nimrodi, a former Israeli attache in Tehran who had helped carry out

the earlier arms shipments, and Manucher Ghorbanifar, an Iranian exile who served as an arms purchaser for the Khomeini regime.

McFarlane told friends later that he distrusted those contacts and recommended dropping the idea of arms shipments as a way to open contacts.

On Jan. 7, the president discussed the Iranian program with his top aides; Secretary of State George P. Shultz and Defense Secretary Caspar W. Weinberger registered their objections to sending further U.S. arms to Tehran. However, on Jan. 17, Reagan signed an intelligence "finding" that authorized covert arms shipments as part of the program to establish contacts with Iranian leaders and gain release of U.S. hostages.

At the same time, Reagan ordered CIA Director William J. Casey not to tell Congress about the operation. Also, the State and Defense departments were excluded from intelligence about the program. Weinberger, whose department was providing the arms being shipped, subsequently demanded to be put back into the intelligence traffic.

In February, the first shipment of U.S. arms went from the United States to Israel and then on to Iran. A report by Southern Air Transport

to the Transportation Department filed in May showed that in February, two of the firm's Boeing 707s carried 90 tons of cargo from Kelly AFB, Tex., to Tel Aviv. House Majority Leader James C. Wright Jr. (D-Tex.) said last week that 1,000 TOW antitank missiles from San Antonio were shipped to Iran.

On May 28, McFarlane and North flew to Tehran in a Boeing 707 that also carried arms and spare parts. Also aboard was George Cave, a former CIA station chief in Tehran who speaks fluent Farsi. Some sources also contend that retired major general Richard V. Secord, who has been tied to the contra aid program, was aboard the plane; other sources, however, say the fourth passenger was an Israeli general.

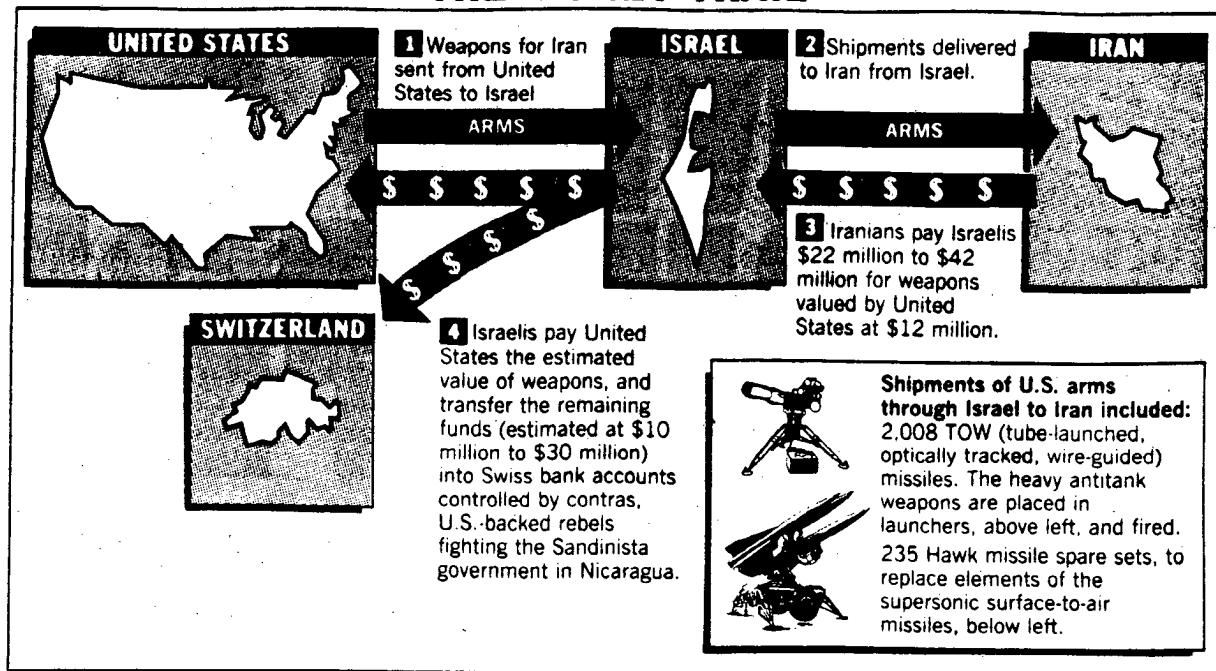
McFarlane, according to sources, expected the remaining four hostages to be released before he arrived. Another planeload of U.S. arms, which was to go to Iran when McFarlane departed, was not sent because the hostages were not released, sources said.

Southern Air records show that in May, two of the company's 707s again flew to Tel Aviv from Kelly AFB with another 90 tons of cargo.

Southern Air was a subcontractor used to ship nonlethal aid to the contra forces and has in the past

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THE MONEY TRAIL



BY JO ELLEN MURPHY—THE WASHINGTON POST

been associated with CIA and other paramilitary operations.

McFarlane, sources said, told Reagan when he returned from Tehran that the program should be halted because the Iranians had renege on the bargain.

Sources said yesterday that the program had been halted temporarily, but restarted July 27, after the Rev. Lawrence M. Jenco was released.

Another U.S. arms shipment went via Israel to Iran in August, according to congressional sources. Administration officials said the White House alerted the State Department that another hostage was expected to be released in August, but none appeared.

In September and October, three more American hostages were taken in Beirut by groups that the State Department says are tied to Iran.

The final shipment of arms from the United States was made on Oct. 26 or 27, sources said. The subsequent weekend, the White House again alerted the State Department and some congressional leaders to expect the release of one or two hostages.

On Nov. 2, David P. Jacobsen, the third American hostage in Lebanon to be freed, was released by his pro-Iranian captors in Beirut.